

MONTANA BOARD OF HOUSING

301 S. Park – Room 228 and via Webinar, Helena MT
April 11, 2011

ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Jeff Rupp, Secretary (Present)
Bob Gauthier (Present)
Jeanette McKee (Present)
Sheila Rice (Present via Webinar)
Audrey Black Eagle (Excused)

STAFF: Bruce Brensdal, Executive Director
Chuck Nemec, Accounting
Nancy Leifer, Homeownership Program
Gerald Watne, Multifamily Program
Penny Cope, Marketing & Web Specialist
Paula Loving, Administrative Assistant
Mary Bair, Multifamily Program
Judy Tice, Multifamily Program
Kellie Lynch, Multifamily Program
Emy Ingebritson, Multifamily Program
Jeannene Maas, Homeownership Program
Doug Jensen, Homeownership Program
Charlie Brown, Homeownership Program

COUNSEL: Greg Gould, Luxan and Murfitt
Jeffrey Glovan, Luxan and Murfitt
John Wagner, Kutak Rock

TRUSTEE: Sandy Shupe, Wells Fargo

UNDERWRITERS: Gordon Hoven, Piper Jaffray

OTHERS:

- Nate Richmond, Summit Housing Group
- Alex Burkhalter, Sparrow Group
- Iva Granger, Fort Peck Housing Authority
- Scott Kieper, Summit Housing Group
- Jack Jenks, Summit Housing Group
- Tim German, Sparrow Group
- David Bland, Travois Inc. /Fort Peck Housing Authority
- Kathryn Braund, Eagles Manor
- John Hochvar, Eagles Manor
- Lorraine Brannon, Eagles Manor
- Judy Lindquist, Eagles Manor
- Erin Koppi, Eagles Manor
- Steve Inman, Tamarack Property Mgt. Co. / Eagles Manor
- Josh Koser, Missoula Housing Authority
- Lori Davidson, Missoula Housing Authority
- Cort Allen, Treadstone
- Gene Leuwer, Rocky Mountain Development Council
- Gail Bruise Zimmer, Rocky Mountain Development Council
- Galen Amy, Rocky Mountain Development Council
- Jeff Miller, Rocky Mountain Development Council
- Don Sterhan, Mountain Plains Equity Group
- Frank Soltys, Benefis Health System
- Jared Hawskins, Edward Jones Investments
- Scott Fitzpatrick, Mountain Plains Equity Group
- Tarie Beck, Mountain Plains Equity Group
- Heather McMilin, homeWORD
- Maureen Rude, NeighborWorks
- Tim Furey, House Representative/ Opportunity Resources
- Sam Long, Summit Management Group
- Jim Edgcomb, Department of Commerce
- Patrick Klier, Summit Management Group
- Franklin Hess
- Mat Rude, Rocky Mountain Development Council
- Harlen Wells, Summit Management Group

CALL MEETING TO ORDER

Chairman JP Crowley called to Order at 8:30 AM. Introductions were made. Bruce Brensdal reviewed the webinar procedures and microphone usage for the meeting. Chairman Crowley asked for any public comment on any matter not on the agenda.

APPROVAL OF MINUTES

Jeff Rupp moved to approve the March 14, 2011 Board minutes, with Bob Gauthier seconded the motion. The Chairman asked for comments. The March 14, 2011 Board minutes were passed unanimously.

FINANCE PROGRAM

Chuck Nemec updated the Board with the MBOH Finances. The 10-year Treasury interest rate is at 3.57, compared to 3.37% reported at the March 14 Board meeting. This increase if it holds or continues may increase the cost of funds for Board's May bond issuance. On April 5, 2011, MBOH received a letter from the Department of the Treasury – Internal Revenue Service stating their completion of examination of the 2003 Series C Single Family Program Bonds. The result of the examination is there is no change to the position that interest received by 2003 C bondholders is excludable from gross income under section 103 of the Internal Revenue Code.

HOMEOWNERSHIP PROGRAM

Nancy Leifer provided the Board with the Bond Issue update. Nancy reviewed the NIBP. MBOH is preparing for a bond issuance. Nancy stated there is \$40 million of purchased, reserved or commitment loans. Betsy asked why we would issue only \$40 million since we have secured the amount at present. Bruce stated it is due to the negative arbitrage.

Nancy Leifer presented to the Board Resolution No. 11-0411-S2. This resolution would be: approving the issuance and delivery of a maximum of \$20 million of Single Family Homeownership Bonds 2011 Series A to make funds available to purchase loans and approving the sale thereof pursuant to a purchase contract; approving the release of proceeds of and the conversion of the interest rate on, a portion of Single Family Homeownership Bonds to be designated as 2009 Series B in an aggregate principal amount not to exceed \$30 million. Jeanette McKee moved to approve the Resolution No. 11-0411-S2 and Bob Gauthier seconded the motion. Chairman Crowley asked for comments. Resolution 11-0411-S2 was approved unanimously.

Nancy Leifer provided the Board with the Homeownership Program update. Nancy brought to the Board the Staff's recommendations of the lenders to participate in the 2011 Servicer Audits and provided a brief overview of the Lender audit process. These recommendations would allow the Legislative Auditors to perform an extensive servicer audit of Stockman Bank, Community Bank of Glasgow, and Community Bank of Polson, and in addition, audit borrower access to their account information at First Interstate Bank offices in Miles City and Polson. Betsy Scanlin requested for clarification on why Staff is auditing Lenders with low foreclosure rates and not lenders with high foreclosure rates. Nancy stated this audit determines whether the Lender is following routine servicing procedures set by MBOH and does not look at foreclosure practices. Jeff asked why Pioneer Savings was not selected as they were last audited in 2007. Nancy noted that MBOH staff monitors servicers every month and from this contact determined that Community Bank Glendive and Community Bank Polson had more difficulties than Pioneer Federal and therefore would be more appropriate choices. Jeanette McKee moved to approve Staff's recommendations for the 2011 Servicer Audits. Jeff Rupp seconded the motion. The Chairman asked for comments. The above mentioned lenders were approved unanimously for the 2011 Servicer Audits.

MULTIFAMILY PROGRAM

Gerald Watne updated the Board with the Multifamily Program. Gerald provided the status report of the 2009 ARRA funds. There are three projects remaining with funds to be allocated. Rural Development (RD) has approved MBOH for providing 538 RD loans.

Gerald Watne provided to the Board the 2011 Low Income Housing Tax Credit (LIHTC) applications received. Staff has completed the analysis of the applications and submitted to the Board for their consideration. Initially, eight applications were received with one application from Element 54 from Kalispell withdrawing. Of the seven remaining applications, six met threshold. Gerald and Mary Bair visited the applicant sites. Mary Bair, provided an overview of all the applications, including pictures of the proposed sites. Chairman Crowley introduced each of the applicants who provided a brief overview.

Scott Keiper, representing Summit Housing Group, presented **Hyalite Apartments**, which is a new construction in Bozeman. Bozeman is a very diverse community with the University and Hospital. Summit Housing Group is requesting \$616,250 in tax credits for a 42 unit family project with two and three bedrooms and one manager's unit. The site is located near schools and shopping. An overview of the Market Study for Hyalite Apartments was given. Sheila Rice inquired on how capture rate is calculated. Scott stated it is the number of units divided by the number of individuals eligible for the units. Betsy asked for clarification on how the vacancy rate is determined with the concern of the 15% vacancy rate in Bozeman. Jeanette brought forth the letter by William Dabney III, who stated *"Due to weaknesses in the local economy, apartment rents for the Bozeman and Belgrade rental markets have been reduced to an affordable level. Safe, decent and affordable rental housing is widely available in Bozeman and Belgrade. Most existing rental properties are struggling, because lower income individuals and families are struggling."* Scott stated the Market Study was a completely thorough and supports this application. Jeanette asked Jeff Rupp for his thoughts on the letter. Jeff Rupp stated that he did not disagree with Mr. Dabney's opinion.

Frank Soltys, representing Benefis Health System, presented **Cascade Ridge Senior Living**, which is a new construction in Great Falls. The project is requesting \$604,537 in tax credits for 39 one and two bedroom units with one manager's unit. The project would target moderate to low income elderly.

Steve Inman from Tamarack Properties, representing Menola Land Company, presented **Eagles Manor Apartments**, which is a rehabilitation project in Great Falls. This elderly project is requesting \$514,416 in tax credits for rehabilitation of 129 efficiency and one bedroom apartments. Steve provided a history of the Eagles Manor Apartments. While, the application failed to meet threshold by one point, Tamarack and Mountain Plains Equity Group requests MBOH to consider the need for this rehabilitation. Kathryn Braund, a resident of Eagles Manor, shared her experience living at Eagles. The building is very sound proof and beautifully constructed. John Hochvar has lived at Eagles Manor for

ten years. He loves his sixth floor home. Lorraine Brannon states the Eagles Manor is a family. Eagles Manor needs some repair to help with the safety of the residents. Lorraine asked where they would go without help. Sheila Rice asked for clarification on Market Study and how it reflects a fully occupied existing project. Gerald stated a Market Study was completed for this project; however, it did not address elderly housing in the community, compare this project to other elderly housing in the community, and in general, did not support the project. Mary stated the Market Study analyst did not break down the Study to elderly population. Jeff Rupp asked for clarification on scoring on the Project Characteristics portion. Gerald stated that application did not adequately address the energy and green building material standards.

Gene Leuwer, representing Rocky Mountain Development Council, presented **River Rock Residence**, which is a new construction in Helena. This is the only not-for-profit application, which is requesting \$515,250 in tax credits for 33 elderly one and two bedroom units. The Market Study supports immediate need for elderly. This project is located close to two other tax credit elderly projects. 50% of the units will be handicap accessible and the other 50% will meet visitability for handicap. Jeff Rupp asked what types of services would be available. Gene stated there would be a community center within the unit. In addition, Rocky Mountain Development Council is a Senior Living and Aging Services provider. The individuals utilizing these units would be younger than those served in the Eagles Manor and Cascade Ridge in Great Falls

Lori Davison, representing Missoula Housing Authority, presented **The Palace Apartments**, which is an acquisition and rehabilitation in Missoula. This building consists of 60-efficiency one and two bedroom units. This existing LIHTC project in need of rehabilitation is requesting \$525,000 in tax credits. This project was submitted in 2010 but was withdrawn prior to scoring in order to work on the energy efficient measures because through previous projects, energy efficiency has proven to be very cost effective. This project has been awarded HOME funds and City of Missoula funds; however, these are contingent on Tax Credit funding. Tim Furey, House District Representative and Opportunities Resources, provided support for The Palace Apartments.

David Bland from Travois Inc., and Iva Granger, representing Fort Peck Housing Authority, presented **Fort Peck Homes II**, which is a new construction with eventual home ownership projects. Fort Peck Housing Authority is requesting \$614,401 in tax credits for 22 three and four bedroom homes in various locations in Poplar and Wolf Point and a community pool. Each home would be built on vacant or blighted sites, which would be cleared prior to construction and not as part of this application. Jeff Rupp asked for the time line for the homeownership. David stated the homeownership option would be in fifteen years. Jeff Rupp asked about the experience of operating a pool. David stated there is history of other Indian reservations with great success. Betsy Scanlin requested clarification on the community facility. David stated the current application only includes the pool, however, space is available and the goal is to expand community facilities. Sheila Rice asked if energy efficiency measures are being

implemented into the pool. David stated the pool has not been planned out but energy efficiency will be considered.

Tim German, representing Sparrow Group, presented **Aspen Place**, which is a new construction in Missoula. Sparrow Group is requesting \$421,743 in tax credits for 36 elderly one and two bedroom units. Partial Tax Credits were awarded in 2010 and the application is requesting the remaining Tax Credits to complete the project. The Market Study supports the demand for elderly housing. Bob Gauthier asked if there was any implied guarantee of future Tax Credits upon awarding of the 2010 Tax Credits. Gerald Watne stated only the anticipation of Tax Credits was the potential of Exchange funds being allocated again in 2010. Bob asked what would have happened to last year's Tax Credits if they were not awarded last year. Gerald Watne stated they would be carried forward to be allocated the next year.

Gerald Watne presented staff's recommendation for the 2011 Low Income Tax Credit Allocations to the Board:

<u>Project</u>	<u>Amount</u>	<u>Balance</u>
River Rock Apartments – Non Profit set-aside	\$616,250	\$1,848,750
Fort Peck Housing II – No pool, 2 additional homes	\$614,401	\$1,234,349
Cascade Ridge -	\$604,527	\$629,822
Board funds one of the following to support geographical distribution of Tax Credits:		
Aspen Place	\$401,503	\$228,319
OR		
The Palace Apartments	\$575,000	\$54,822
Remaining tax credits not awarded would be carried forward for 2012 with no second round for 2011.		

Jeff Rupp moved the motion to approve the River Rock Residence application in the amount of \$616,250, based on the requirement of 10% of funds must go to Non-profit, if applicable. Betsy Scanlin seconded the motion. Chairman Crowley asked for comments. Sheila Rice asked for clarifications on the definition of not-for-profit. Bruce Brensdal clarified that an organization must have a 501(c)(3). A roll call vote was taken and the River Rock Residence application was approved unanimously.

Jeff Rupp asked for clarifications on the 2011 Qualified Allocation Plan (QAP) in accordance to rehabilitation. Bruce Brensdal stated the QAP does not require funding but encourages the Board to consider the preservation of affordable housing.

Bob Gauthier moved to approve to allocate \$614,401 to the Fort Peck Housing II application which includes 22 units and a community pool. Jeff Rupp seconded the motion. Bob Gauthier stated the area is in desperate need of a sense of community; however, with the lack of plan development for the pool, and justification for ongoing operation, this causes great concern. Bob Gauthier inquired about the legality reserving the funds for the pool for a period of time to

allow the development of the pool plans with the contingency of the Tax Credits to be utilized for two additional units if the pool is not feasible. Greg Gould, Luxan and Murfitt, stated this is within the Board's authority. Jeanette McKee voiced her concern of whether Tax Credits are designed to build this type of facility (i.e., a swimming pool). Betsy Scanlin moved to amend the current motion to approve the application for 24 rather than 22 units and without the pool in the amount of \$614, 401, with the provision to allow Fort Peck Housing Authority 60 days to present to the Board for approval a proposal to modify the award to include community facilities, such as a pool or other community support facility. The Chairman asked for comment. A roll call vote was taken and the motion to amend the original motion was approved unanimously.

Chairman Crowley asked for comment on the amended original motion. A roll call vote was taken was the motion approved unanimously to allocate \$614,401 to the Fort Peck Housing II application to construct 24 units, with the provision to allow Fort Peck Housing Authority 60 days to present options to the Board for approval, a portion of the allocation to be used for community facilities.

Sheila Rice moved to approve Eagles Manor Apartments and Cascade Ridge Senior Living in Great Falls. Bob Gauthier seconded the motion. Bob asked for clarification on the legality of approving an application that did not meet the threshold. Greg Gould stated that the QAP requires an application to meet threshold in order to be considered for funding and the only way to consider Eagles Manor would be to review staff's scoring of the application. Bob Gauthier and Sheila Rice withdrew their motion. Jeff Rupp expressed his concerns of scoring one application against other applications as mentioned earlier in the meeting and states that each application should be scored on its own merits. Bob Gauthier stated that the criteria integrity must be maintained and all applicants need to understand the criteria when developing the application. Betsy Scanlin stated that while the Eagles Manor project has great potential, the project did not score high, regardless of meeting the threshold.

Sheila Rice moved to approve Cascade Ridge Senior Living and Bob Gauthier seconded the motion. Chairman Crowley asked for comment. Jeff Rupp stated he whole heartedly supports this stellar project which defines MBOH's goals for affordable housing. A roll call vote was taken and Cascade Ridge Senior Living was approved for \$604,527 in Tax Credits.

Betsy Scanlin moved to approve The Palace Apartments for Tax Credits in the amount of \$525,000 plus an additional \$50,000 Tax Credits as recommended by Staff. Jeanette McKee seconded the motion. Betsy's rationale is to preserve the existing affordable housing. Jeanette stated she supports the motion mainly because of the partnerships within the community for this project. Jeff Rupp stated his concern on providing Tax Credits for a second time and the property has not proved the ability to sustain the viability of the project. Jeanette asked Lori Davison to explain how the additional \$50,000 Tax Credits would help with the project. Lori stated the extra Tax Credits would allow for the rehabilitation to make larger units. Jeanette McKee moved to amend the original motion to

allocate \$616,250 Tax Credits, which is the maximum allowable amount of credits, based upon Lori Davison's explanation regarding how additional tax credit funds would benefit the project and the overall merits of this project as presented in the application. If the project is to be funded, the additional funds should be allocated to achieve the best result. Betsy Scanlin seconded the motion. Chairman Crowley asked for comment. A roll call vote was taken and the motion to amend was approved unanimously.

The Chairman asked for comment on the amended original motion. Jeff Rupp stated his concern over changing the application request and believes MBOH made a commitment to another developer last year by allocating Tax Credits to partially fund a project. A roll call vote was taken:

Betsy Scanlin – YES

Jeff Rupp – NO

Jeanette McKee – YES

Bob Gauthier – YES

Audrey Black Eagle – not present at vote

Sheila Rice – YES

JP Crowley – YES

The motion to allocate \$616,250 Tax Credits to The Palace Apartments in Missoula was approved.

Jeanette McKee moved to carry over the remaining Tax Credit allocations in the amount of \$13,572 to 2012. Bob Gauthier seconded the motion. Chairman Crowley asked for comment. The motion was passed unanimously.

Chairman Crowley thanked the Developers for submitting such good applications and encouraged those who did not receive funding to reapply in 2012. The Board commented on the quality of the applications and thanked the Staff for their work.

Gerald Watne brought a Reverse Annuity Mortgage (RAM) exception request to the Board. The request is from a widowed woman in Great Falls who is requesting an exception on the lump sum limit of \$10,000. She has fallen behind in her mortgage due to her limited income and would like to pay off the outstanding mortgage balance of 13,889.54 as of February 18, 2011 and to receive monthly payments. Betsy Scanlin moved to approve the exception on the lump sum limit of \$10,000 and approve the cash advance for this individual of \$14,000. Bob Gauthier seconded the motion. Chairman Crowley asked for comment. The RAM exception was approved unanimously.

EXECUTIVE DIRECTOR

Bruce Brensdal recognized Lucy Brown's letter to the Multifamily Staff in her recent monitoring. Bruce asked for a Board volunteer and Betsy Scanlin will attend the Mountain Plains Regional Summit in Nebraska, along with Penny Cope. Bruce informed the Board of two possible trainings: NCSHB Annual Meeting late summer and the NCSHA Annual Conference this fall. Chairman

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Crowley was the only member available to attend and only the NCSHA Annual Conference this fall. Bruce updated the Board on Legislative session. There is one bill that will directly affect the Board and that is SB326 that would authorize the Board to use \$15 million of coal severance trust monies to provide Veterans loans in Montana.

Meeting adjourned at 11:55 AM

Jeffrey Rupp, Secretary

Date